



## Lessons Learned

From enforcement and compliance activity  
- software implementation projects

### Introduction

Our vision for our enforcement is to achieve a culture where businesses put energy consumers first and act in line with their obligations.

We support innovative ideas that promote improvements to customer service and essential activities such as billing. However, change must be implemented in a way that does not have an adverse impact on consumers. Previously, energy companies have encountered significant problems with software implementation projects (in particular those related to billing and customer service/customer relationship management) to the extent that Ofgem has intervened by using its enforcement powers.

The purpose of this document is to highlight the lessons learned from enforcement and compliance activity in relation to software implementation projects. Whilst not intended to be exhaustive, we have observed problems in the following areas prior to the activation of the software implementation project: ensuring the system had the functionality to comply with the relevant regulatory requirements, robust testing of the software, adequate staff training on the software, and insufficient planning. In addition, we have observed subsequent failures to monitor adequately throughout the implementation phase as well as numerous actions that resulted in customers not being treated fairly.

Ultimately, responsibility to comply with licence conditions and other relevant requirements (such as the [Gas and Electricity \(Consumer Complaints Handling Standards\) Regulations 2008](#) "CHRs") rests with individual energy companies. However, we want to assist energy companies in their understanding of issues which have occurred during these implementation projects, and which have led to negative outcomes for consumers, so that energy companies can learn from past experience and avoid making the same mistakes.

By taking a consumer-focused and diligent approach to these software implementation projects, we believe energy companies can build trust and confidence in the retail market for all GB energy consumers.

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In some of the past enforcement and compliance investigations relating to software implementation projects, we found that energy companies' decisions at the outset negatively affected the success of the project. For further information on specific cases, please see the '**References**' section of this document. Based on the failings we identified in those cases, we set out below some elements to consider if implementing software changes. Obviously, it is up to licensees themselves to decide on how best to approach a software implementation project: however they might find the areas listed below a useful guide.

### Before implementation

1. **Functionality** – In some of our investigations, we found that energy companies had failed to ensure that the software specification enabled compliance with the regulatory requirements including formal legal obligations as well as voluntary commitments/codes.
  - a. For example, if energy companies have committed to comply with the [Code of practice for accurate bills<sup>1</sup>](#), the system should:
    - i. not issue back bills (for energy usage of over a year)
    - ii. ensure direct debits are set at the right level and are reviewed every 12 months
    - iii. bill accurately and on time in line with the billing schedule agreed with the customer.
  - b. The software should be able to record meter reads, estimated meter reads, change of supply requests, change of tenancy requests and meter exchanges.
  - c. If the software includes a complaints handling element, energy companies should ensure that the software has the functionality to enable them to comply with the requirements of the CHRs. It should enable subsequent complaints to be linked clearly to the original complaint. For deadlocked complaints or complaints received more than 56 days/8 weeks ago, the complainant should be signposted to the Ombudsman.
2. **Testing** – Energy companies should consider whether robust testing would be beneficial for all customer types (including complex customers as well as those in the process of switching to your supply) so that any defects or problems with the software are corrected before the launch date.

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<sup>1</sup> There is a current [consultation](#) proposing a licence condition to prevent suppliers from backbilling consumers for electricity or gas consumed over 12 months ago when the consumer is not at fault.

3. **Training** – Staff, including third party agents working on behalf of the energy company (eg in customer contact centres), should be trained comprehensively on the new software (including on a “live” or “as live” version) so that they are adept with operating it.
  - a. If feedback demonstrates the training is insufficient then energy companies should act and amend the training.
  - b. Energy companies should ensure that the training and procedures correctly reflect the requirements of the licence conditions and other rules and guidance. For example, in the case of the CHRs, energy companies should ensure that complaints are only closed when there is no further action to be taken and the consumer is satisfied with the resolution.
  
4. **Planning** – Energy companies should ensure that their risk management frameworks (eg risk logs) have adequately identified the risks and impacts of implementing the new software and made appropriate contingency plans for all the identified risks. Energy companies have run into difficulties when software implementation projects have been conducted:
  - a. At the same time as when more customers than normal are switching to their supply.
  - b. At the same time as when other restructuring or outsourcing of customer service functions is underway.
  - c. By migrating all customers in one go (a ‘big bang’ approach).
  - d. By not having the means of maintaining ‘business as usual’ customer services in the event the system does not work/not having a ‘Plan B’.

## During implementation

We consider senior management oversight to be another key element during these projects. In some of our investigations, we found that:

- a. Inadequate auditing and/or internal assurance practices (or inadequate responses to audit/assurance findings) resulted in problems not being identified early, which meant that software defects were not rectified swiftly enough.
- b. Compliance with procedures was monitored inadequately and failed to spot problems, or measured the wrong aspect. For example, monitoring did not look at whether complaints had been resolved to the customer’s satisfaction. In some instances, defects were noticed but were not acted upon effectively nor were they escalated to senior management.

- c. Central oversight bodies (eg programme or steering boards) did not assess the impact the entire software implementation was having on other business areas such as customer services. Energy companies should be prepared to suspend the migration if necessary.

### If things go wrong

Failures in software implementation projects have caused a variety of impacts to consumers that were breaches of the following requirements:

- The [Code of practice for accurate bills](#)<sup>2</sup>
- The [Standards of Conduct](#) (which requires energy companies to behave, provide information and carry out customer service processes in a manner that ensures customers are treated fairly) and
- The [Consumer Complaints Handling Standards 2008](#)
- Standard Licence Conditions including SLCs 7A.10A, 7B, 14A, 21B.5 and 27.17<sup>3</sup>.

As a result of being unable to bill accurately, customers were sent late and/or inaccurate bills. Because of this, some customers fell into debt and may have been unable to switch energy companies and obtain a better tariff. Some customers had large direct debits collected without warning, which made it difficult for them to manage their finances. In other instances, despite knowing there were problems with bill accuracy, energy companies unfairly chased debt when customers disputed it and then made referrals to credit agencies. By not completing the actions the energy companies had agreed with the customer, the customer had to complain again and the actions were completed later than they should have been.

Based on the lessons learned from our enforcement and compliance cases, actions to consider if things go wrong include:

#### 1. **Resourcing:**

- a. Extending customer contact-centre opening times to make it easier for consumers to make queries or complaints.
- b. Increasing resource to deal with the rise in queries or complaints, eg from the additional time taken to issue bills manually or from dealing with a billing backlog.
- c. Swiftly setting up a specialist team to identify and resolve the root cause of issues.
- d. Prioritising resources to achieve action plans.
- e. Ensuring sufficient resource to implement Ombudsman remedies without delay.

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<sup>2</sup> There is a current [consultation](#) proposing a licence condition to prevent suppliers from backbilling consumers for electricity or gas consumed over 12 months ago when the consumer is not at fault.

<sup>3</sup>Information on Bills, Standards of Conduct (NB SLC 7B is now re-numbered as SLC 0A), Customer Transfer, Billing based on meter readings, Provision of final bill.

- f. Ensuring sufficient resource to conduct quality assurance checks.
- g. Recognising that complex complaints linked to errors in billing may require particular attention and not focusing only on the simpler complaints.
- h. Recognising that attempts by the company to rectify problems (eg clearing billing backlogs) may in themselves drive further customer contacts and complaints.

### 2. **Postponing:**

- a. Consider suspending the recruitment of new customers until you are able to deliver the level of service that existing customers are entitled to expect.
- b. Suspending the software migration until critical defects are resolved.

### 3. **Communication:**

- a. Being proactive with new and prospective customers that there is a problem (eg through putting a notice on the company's website/writing to customers etc).
- b. Keeping customers informed about ongoing performance problems.
- c. Making sure complaints are correctly signposted to the Ombudsman after 56 days.
- d. Making sure customer communications are clear, not misleading, complete, accurate and customer focused.

### 4. **Fairness:**

- a. Ensuring that any solutions implemented do not adversely impact consumers.
- b. Prioritising action to resolve problems with those consumers most severely affected.

## Engagement with Ofgem

- Tell us at the earliest opportunity when problems arise
- Provide us with information to characterise the impact and extent of the issues on your consumers
- Give us an action plan which sets out how you will resolve the problem and put things right quickly for consumers, including paying any compensation or redress which may be due

We welcome early engagement and interaction with our licensees, and expect those energy companies who have not been treating customers fairly to proactively assure us that they are addressing the weaknesses in their approach.

Our preference is to engage with energy companies successfully at an early stage, to put things right for consumers as quickly as possible, rather than to see issues escalate. By coming to us early and working constructively with Ofgem, energy companies can avoid costs in redress, remedy, negative impact on customer satisfaction and retention and potentially avoid enforcement action.

Ofgem places high importance on energy companies self-reporting compliance issues to us. Energy companies should promptly open a dialogue with Ofgem and provide as much detail as possible about the potential breach (or breaches), what caused it, the harm that may have resulted, including to customers, and the steps that have been or will be taken (including proposed timings) to remedy the situation. We recognise that the need to self-report promptly might mean energy companies have not necessarily established the full extent of problems but that should not prevent prompt and accurate self-reporting of the facts as they stand and taking steps, promptly, to determine the full extent of problems and put things right. We will continue to act proportionately in our approach to enforcement.

## References

Date	Company	Link
October 2014	EDF	<a href="#">Ofgem investigation page</a>
January 2016	Npower	<a href="#">Ofgem investigation page</a>
June 2016	Scottish Power	<a href="#">Ofgem investigation page</a>
October 2016	Co-op	<a href="#">Ofgem press release</a>
June 2017	British Gas	<a href="#">Ofgem investigation page</a>